

# SENATE BILL REPORT

## SB 6317

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As Reported By Senate Committee On:  
Financial Institutions & Insurance, February 05, 2008

**Title:** An act relating to the payment of interest upon failure to pay death benefits that are payable under the terms of a group life insurance policy.

**Brief Description:** Requiring the payment of interest upon failure to pay death benefits that are payable under the terms of a group life insurance policy.

**Sponsors:** Senator Berkey.

**Brief History:**

**Committee Activity:** Financial Institutions & Insurance: 1/16/08, 2/05/08 [DPS].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 6317 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, Prentice and Schoesler.

**Staff:** Diane Smith (786-7410)

**Background:** Individual life insurance policies are required to pay interest on death benefits that are payable under the terms of the policy. The interest begins to accrue on the date of death of the insured at the rate then paid by the insurer on other withdrawable policy proceeds left with the company or eight percent, whichever is greater. Interest increases an additional 3 percent if benefits have not been paid to the beneficiary within 90 days of receipt of proof of death. In contrast, group life insurance policies do not require the payment of interest on death benefits.

**Summary of Bill (Recommended Substitute):** No interest is due to the payee of a group life insurance policy if the insurer pays the death benefits within 30 days of receipt of satisfactory proof of death. If the insurer fails to make this payment within this 30-day period, then interest is charged from the date of death until payment is made. If the delay in payment extends 90 days from the receipt of proof of death, interest accrues from the 91st day until payment is made at the previous interest rate plus 3 percent. The base interest rate is calculated as the rate then paid by the insurer on other withdrawable policy proceeds left with the company or 8 percent, whichever is greater.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (Recommended Substitute):** The substitute bill includes a 30-day period

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during which no interest accrues if payment on the group life insurance policy is made within those 30 days, as measured from the insurer's receipt of satisfactory proof of death. The days included in the period for which interest is calculated are from the date of death, forward until the payment is made. The original bill did not include these clarifications.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** OTHER: As with individual policies, prompt payment of death claims applies to group life claims. Washington language is different, in that usually interest accrues from when the claim is submitted, but when the company is notified of the claim is a fair trigger. Now that interest rates are lower, the 8 percent statutory figure should be revisited. The rate paid by the insurer for other funds on deposit would be more fair. Estate conservators were withholding claims because the 11 percent interest rate was better than any other rate available. Notification of a claim requires as little as a phone call to the insurance company.

**Persons Testifying:** OTHER: John Mangan, American Council of Life Insurers.